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*An in-depth analysis of the impact of reforms on inequality - DENMARK*

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European Centre of Expertise (ECE) in the field of labour law, employment and labour market policy

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DENMARK

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January 2017



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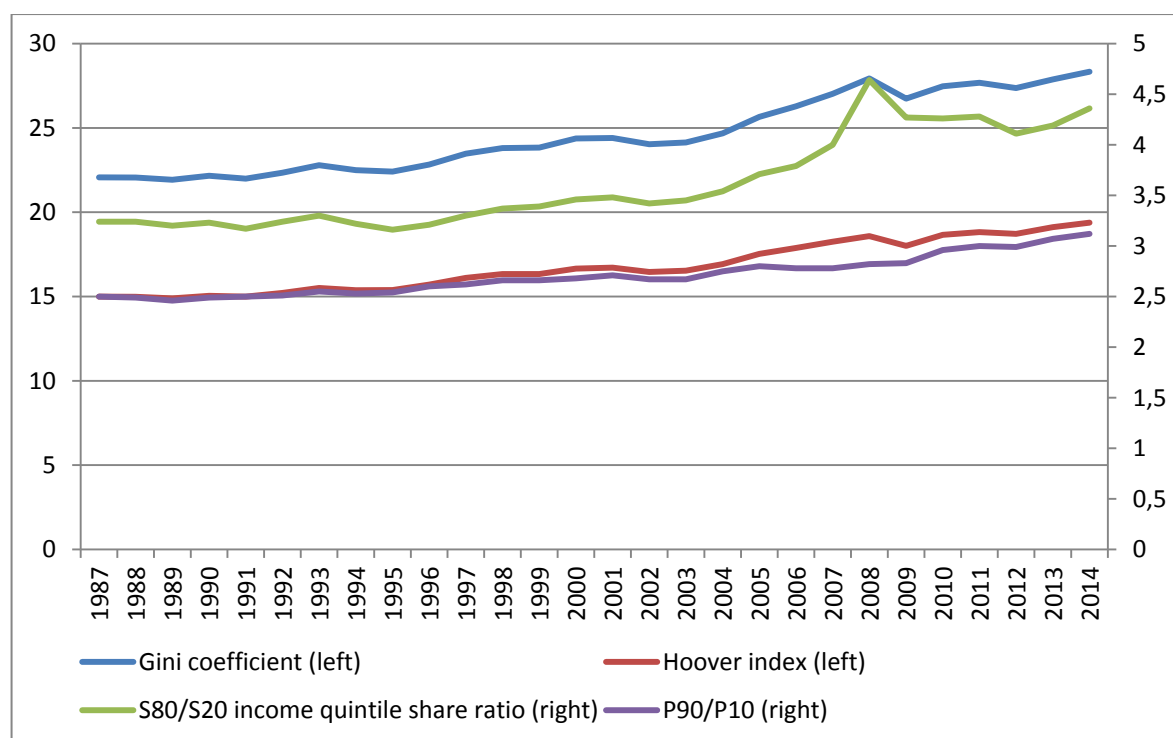
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## 1 Introduction: Overview of inequality in Denmark<sup>1</sup>

As an example of the Nordic welfare states, Denmark has for decades been considered to be one of the most equal societies of the European Union. Measured by the Gini-coefficient for equalised disposable income from Eurostat this was clearly the case in 2005, where Denmark was among the top three in the EU only surpassed by Sweden and Slovenia.<sup>2</sup> Since then Denmark has moved closer to the average for the EU and according to Eurostat in both 2014 and 2015 ranked number nine among the Member States.<sup>3</sup>

The move towards a more unequal distribution of income is clearly illustrated in figure 1, which presents four indicators of inequality in disposable income from Statistics Denmark.

Figure 1. Four indicators of the inequality of the distribution of disposable income in Denmark, 1987-2014. Source: Databanks of Statistics Denmark, table IFOR41.



The tendency to an increasing trend in all four indicators of inequality in disposable income is evident from the beginning of the 1990s and onwards.<sup>4</sup> The same goes for

<sup>1</sup> This Thematic Review builds partly on some of my previous reports to EEPO and ECE, especially the Regular Reports from 2014-2015, the Annual Policy Update from September 2015 and the ad hoc report on newly arrived immigrants and refugees from October 2016.

<sup>2</sup> Data from Eurostat's database, table (ilc\_di12).

<sup>3</sup> According to Skatteministeriet (2016:14) and DØR (2016:204), OECD's database on income inequality in 2013 ranks Denmark somewhat higher among the OECD countries for which data on the Gini-coefficient are available.

<sup>4</sup> This tendency to a long-run increase in economic inequality since the beginning of the 1990s has been documented in a number of studies from different sources. Among the most recent ones can be mentioned Danmarks Statistik (2015), Økonomi- og In-

indicators of the number of persons at risk of poverty in the low-income group. The main explanations offered for this development are:

- a tendency for higher increases in earned income for the high-income groups than for the low-income groups, also due to a lower work intensity for the low-income groups;
- an increasing number of students, who until graduation often will be included in the low-income groups;
- a number of tax reforms aimed mainly at lowering (marginal) taxation of higher incomes;
- rising prices of real estate has favoured owners of private homes, who mainly belong to the high income groups;
- a rising number of immigrants many of which are in the low-income groups.

Due to the developments described above, the issue of inequality and poverty has caught considerable political attention in recent years. The former Government thus in 2012 formed an expert group on poverty, which submitted its report in 2013 (Ekspertudvalg om fattigdom, 2013). The group proposed among other things an official poverty threshold and the publication of a yearly governmental report on the developments in income distribution and poverty. The first two of these reports were published in 2014 and 2015 (Økonomi- og Indenrigsministeriet, 2014, 2015). In spite of the fact that a new Government in 2015 abandoned the notion of an official poverty threshold, it continued to publish the yearly report also in 2016 (Skatteministeriet, 2016).

Also it has become increasingly common that policy reforms are assessed not only by their expected effects on the macro-economy, but also with respect to the consequences for the income distribution. One example is found in a reply to Parliament from the Ministry of Finance, where the effects on the Gini-coefficient from different elements in the proposal for the budget for 2016 are estimated.<sup>5</sup> This tendency has been evident for reforms that directly imply changes in tax rates or social benefits, where distributional effects can be most easily calculated based on administrative registers having information about income and taxes. When it comes to reforms focusing on education or active labour market policy, quantitative estimates of distributional effects are not found. Here the effects must be assessed in more qualitative terms. This difference is also reflected in the information presented in section 2 and 3 below.

Finally one should note that the issue of income inequality and poverty also is linked to debates about developments on the labour market including the rise in the number of migrant workers and workers in precarious employment for instance represented by a rather sharp rise in the number of own-account workers (self-employed without employees) (Madsen, 2015). The most recent debates about the growth of the 'gig-economy' has added hereto.

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denrigsministeriet (2014, 2015), Skatteministeriet (2016), Det Økonomiske Råd, (2016) and Arbejderbevægelsens Erhvervsråd (2015a, 2016a).

<sup>5</sup> See 'Svar på Finansudvalgets spørgsmål nr. 137 (L1) af 19. november 2015 stillet efter ønske fra Benny Engelbrecht (S)'.

## **2 Country-specific recommendations and their impact on inequalities**

The Country-Specific Recommendations (CSRs) for Denmark issued in 2015 and 2016 dealt in general terms with budgetary issues and productivity. They had therefore no direct relevance for labour market or health reforms. On the other hand the CSRs from the summer of 2014 recommended that Denmark in 2014 and 2015 should 'Take further steps to improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. Improve the quality of vocational training to reduce drop-out rates and increase the number of apprenticeships.' The Government's response to these recommendations will therefore be discussed in the present chapter of the review.

### **2.1 Country-specific recommendations**

#### **Reform of ALMP**

Since the early 1990s Denmark has emphasised active labour market policies (ALMP) as part of its flexicurity model (Madsen, 2014). However, after a period of criticism of the results from ALMP, the former Government in 2013 formed an expert group (informally labelled the Koch-Committee) commissioned with the task of proposing a reform aimed at increasing the efficiency of ALMP and also stressing the need for a stronger focus on qualifications. After the publication of the first report from the group (Ekspertgruppen, 2014) a political agreement was made to implement a reform from 2015. The reform had as its main elements:<sup>6</sup>

- more unemployed should achieve stable employment as quickly as possible;
- the unemployed should get individual and meaningful assistance in getting a job;
- unemployed should be offered ordinary education if they need it;
- educational efforts should be targeted at unemployed with the greatest needs and be in line with the demand for labour;
- more focus should be on providing services to employers; job placement should be a core task in the job-centres;
- rules and red tape should be removed so municipalities will have greater freedom and be able to focus on results rather than processes.

A final major element in the reform was a reimbursement reform, which was made into law in late August 2015 (Act no. 994 of August 30, 2015). The two main elements in the reform were:

- The reimbursement rate from the central Government to the municipalities will after the reform be the same for all social benefits (cash benefits, sickness benefits, disability pension etc.). This will remove the existing economic incentives to move clients between various social schemes.

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<sup>6</sup> Forlig mellem Regeringen (Socialdemokraterne og Det Radikale Venstre) og Venstre, Dansk Folkeparti og Det Konservative Folkeparti: *Forlig om reform af beskæftigelsesindsatsen [Agreement on a reform of active employment policy]*, June 18, 2014 ([www.bm.dk](http://www.bm.dk)).



- The reimbursement rate will for each client depend on the duration of the benefit. The aim is to give the municipalities an incentive to early intervention in order to avoid that clients become long-term recipients of social benefits.

From a distributional viewpoint the reform of ALMP clearly aimed at increasing the employment and income of unskilled unemployed and unemployed with obsolete vocational qualifications. This would according to available studies have a positive effect on their incomes and employment in the longer run (see for instance Arbejderbevægelsens Erhvervsråd, 2013, 2015b). For instance the first of these studies estimate an increase in disposable yearly income of DKK 25 000 (EUR 3 300) for young persons, who get a vocational education as skilled workers instead of staying unskilled. The second study calculates the increase in working life to be on average nine years when comparing persons with a vocational education with unskilled workers.

The reform has not yet undergone a comprehensive evaluation. However, the first observations from the implementation of the reform indicate significant barriers with respect to increasing the educational efforts (Styrelsen for Arbejdsmarked og Rekruttering, 2016:2). Thus only 283 persons from the target group had started ordinary education in order to improve their qualifications from July 2015 to April 2016. The activity represents approximately 40 full-time persons in the second half of 2015 and approximately 70 full-time persons in the first two months of 2016. This corresponds to an activity of about 8 % of the planned level of activity in 2015 and 5 % of the planned overall level of the entire year of 2016. Thus at present the actual effects on educational and economic inequality are therefore marginal, but when the reform is fully phased in, the effects could be significant for the target group of unemployed unskilled workers.

### **Reform of integration of newly arrived migrants and refugees**

Like ALMP in general, the challenges of the integration of migrants and refugees had become increasingly pronounced and was also specifically mentioned in the CSR from 2014. In response the former Government put forward a proposal for a reform of integration of newly arrived migrants in March 2015 (Regeringen, 2015). This was partly based on a preliminary report from the Koch-committee, which had been asked to speed up the part of its work related to migrants (Ekspertgruppen, 2015).

The main element in the proposal was to put more emphasis on employment related measures including traineeships in private and public workplaces. Furthermore the integration process should benefit more from the qualifications that the migrants had brought with them from the home country. After the change of Government in September 2015 these issues were the focus of a round of tripartite negotiations in March 2016.

The main elements were the following (Trepartsforhandlingerne, 2016):

- a more workplace-oriented approach (including workplace based language training);
- a shorter and more intensive integration programme;
- better continuity for 'migrants' moving from the integration programme to 'normal' ALMPs;
- more emphasis on screening the qualifications of the migrants;
- a more individual and coordinated approach to support the integration of immigrants;

- the introduction of a new measure that combined workplace based training and vocational education, targeting participants in the integration programme aged 18 to 40 years – the measure had the form of a basic vocational education for ‘migrants’ (IGU) similar to the existing two-year workplace-based vocational education for Danish youth (EGU) and having the same economic conditions (in order to avoid a special lower entry-wage for immigrants);
- finally the tripartite agreement introduced economic incentives for private employers that employ refugees and family-reunified in ordinary jobs or in IGU.

The preliminary evidence from the implementation of the reform show mixed results. On the one hand there has been a significant increase in the share of migrants and refugees who enter workplace based training in the form of short-term traineeships. According to a recent report from the Danish Confederation of Employers, the number of participants in firm-based training had almost doubled from October 2015 to October 2016. Measured as a share of the total number of participants in the integration programme the increase was from 20 % to 32 % reflecting the rapid increase in the total number of participants during the last year (Dansk Arbjdsgiverforening, 2016).

On the other hand the use of the new two-year vocational education for migrants (IGU) has been inadequate. According to the latest official statistics from the Ministry of Immigration and Integration, the total number of students having entered the IGU was 41 in October 2016.<sup>7</sup> One should add that the number has increased sharply in recent months indicating that the meagre intake has had to with initial implementation barriers. However, in light of the total number of participants aged 18 to 40 years in the integration programme (around 4 000 persons) there is still some way to go.

But if successful the reform will have clear positive effects on the incomes and employment prospects of migrants, where one also finds that ordinary education and firm-based training are the most efficient ways to obtain better labour market integration (Arbejderbevægelsens Erhvervsråd 2015c; KORA, 2016).

### **Reform of vocational education and training**

Vocational training was mentioned in the CSR from 2014 (and already in the previous CSR from 2013). The Government presented a proposal for reform in October 2013.<sup>8</sup> The proposal implies major structural and substantive changes to the vocational training system that should contribute to making more students choose a vocational education directly after primary school and more students complete vocational training. A broad political agreement on the reform of vocational training was concluded in February 2014. The reform was implemented from the autumn of 2015. The reform has the following main elements:

- an introduction of entry requirements concerning grades in Danish and mathematics;
- an increase in the weekly teaching hours to 25 hours in 2015 and 26 hours in 2016, better link between classroom and workplace training, more differentiated instruction, skill enhancement of teachers and managerial and institutional development;

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<sup>7</sup> See <http://uim.dk/billeder/antal-registrerede-igu-forloeb.png/view>

<sup>8</sup> Regeringen: *Faglært til fremtiden – Bedre og mere attraktive erhvervsuddannelser* [Skilled for the future. Better og and attractive vocational training] (www.uvm.dk).

- education giving competences to begin further education at university level will be introduced in all relevant programmes;
- improved guarantee for traineeships as part of vocational training.

Also as part of the broad political agreement over a 'growth package' in June 2014, DKK 1 billion (EUR 134 million) was allocated to adult vocational education and training over the years 2014-2020.<sup>9</sup> The list of specific initiatives was the result of a tri-partite agreement between the Government and the social partners announced on 7 May.<sup>10</sup> The amount will be spent over the period from 2014-2020.

The initiatives with respect to general and vocational adult education and training will support the skills development of the unskilled, which is also an important element in the reform of vocational education. A further goal is to enable more skilled workers to take training at tertiary level. The aim is to create a new tradition of training and life-long learning and skills upgrading for skilled workers.

The reform of vocational education is now being evaluated, but no comprehensive assessments have yet been published. However a memo from the Ministry of education shows that the dropout rates for student enrolled after the start of the reform were lower than for previous cohorts, especially for the youngest age groups (Undervisningsministeriet, 2016). Also, an evaluation of the pedagogical improvements initiated with the reform shows significant results concerning reduced dropout rates (Ramboll, 2016).

However, concerns have also been raised that the stricter entry requirements would cause an increase in the group of young people who do not get a vocational education at all. After the reform applicants who do not have sufficient grades in mathematics or Danish have the opportunity to go to special admission tests arranged by the vocational colleges. In August 2016 a total of 5 900 applicants were invited to take the tests and a little less than half passed them.

A memo from the Ministry of Education has followed those applicants aged under 25 years old who failed to enter a vocational education in August 2015. In October of the same year between 9 % and 21 % were not in employment or education. The highest share was found for those applicants who did not apply for admission directly after having left primary school (Undervisningsministeriet, 2015). There is thus a risk that a group of young people not in employment, education or training will be a negative side effect of the reform. On the other hand this must be balanced with the lower dropout rates of those who actually enter the vocational colleges. Also efforts are made to reach the non-admitted applicants and offer them other opportunities to improve their qualifications.

No direct assessment has been made of the distributional effects of the reform. However given the positive effects of raising the educational level of the lower skilled with respect to both earned income and employment that were discussed above, there is no doubt that the reform, if successful, will lead to a reduction in the number of persons in the low-income groups.

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<sup>9</sup> *Aftale om en vækstpakke, Juni 2014 [Agreement of a growth package, June 2014]* (www.fm.dk).

<sup>10</sup> Regeringen, Landsorganisationen i Danmark, Dansk Arbejdsgiverforening: *1 mia. kr. til mere og bedre voksen- og efteruddannelse [DKK 1 billion for more and better VET]*, 7 May 2014. (www.uvm.dk).

## **2.2 Unaddressed country-specific recommendations and their hypothetical impact on inequality**

The reforms presented in section 2.1 addresses the relevant parts of the CSRs from 2014-16. There are therefore no CSRs to be discussed under this heading.

## **3 Other important reforms and inequalities**

A new Government under Prime Minister Lars Løkke Rasmussen took office in June 2015. In the programme of the new Government, the main elements of relevance to labour market and employment policy were:<sup>11</sup>

- new immigration and integration measures focused on lowering the cash benefits paid to newly arrived immigrants in order both to lower the inflow of immigrants and to create stronger economic incentives for employment instead of passive income support;
- a reform of cash benefits, which in 2016 introduced a cap on the total sum of public cash benefits that a person can receive;
- a reform of the unemployment benefit system following the report from the special commission that was formed by the previous Government.

These plans for reforms have subsequently been implemented.<sup>12</sup> Some of them have led to considerable debate about their distributional impacts. They are all discussed in more detail in this section.

Before going into detail one should add that the distinction between reforms addressing the CSRs – and therefore discussed in section 2 – and ‘other reforms’ is not always clear cut. Thus the reforms of cash benefits, allowances for newly arrived immigrants and the changes in the unemployment insurance system are all underpinned by arguments about their positive effects on the economic incentives to seek employment of the respective targets groups. For this reason they could be related to the CSR from 2014 mentioning the ‘employability of people at the margin of the labour market’, if one includes under the concept of ‘employability’ the economic incentives to seek gainful employment (cf. the discussion in the literature review from the Joint Research Centre, 2013).

In the present context the choice has however been to include into the concept of employability only the individual characteristics related to skills and competences, given that the CSR – in contrast to previous years – does not explicitly mention reforms of benefit systems and social security. But the choice is – admittedly – somewhat arbitrary.

### **Lower social benefits for newly arrived immigrants**

The measures mentioned under the first bullet were turned into proposals for new legislation already in July 2015, where the Government presented three proposals to reduce the inflow of immigrants and asylum seekers to Denmark. The proposals consisted of the following.

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<sup>11</sup> Regeringen (2015): *Regeringsgrundlag. Sammen for fremtiden [Government Programme: United for the future]* København, ([www.stm.dk](http://www.stm.dk)).

<sup>12</sup> In addition the social partners were invited take part in tripartite negotiations over important social issues including international competitiveness, education and foreign workers. Two rounds of such negotiations have already been conducted in the spring and in the late summer of 2016 respectively. One outcome was the reform of the integration programme for immigrants and refugees described in section 2.1 above.

- Introduction of a special integration allowance, which is similar to the level of the State Student's Grant and therefore considerably lower than the existing cash benefit for participants in the integration programme. The integration allowance will be paid to all recipients of cash benefits that have not lived in Denmark for at least seven out of the last eight years. This rule thus applies to all immigrants including Danish citizens having lived abroad for more than one year out of the last eight years.<sup>13</sup>
- Restoration of the accrual principle for family benefits and child benefit for refugees. The principle implies that at least one of the parents must have lived or been employed in Denmark for at least two out of the last ten years in order to receive the full benefit.
- A harmonisation of eligibility rules for old age pension so that refugees are no longer exempt from the accrual principle, which implies that you must have lived in Denmark for at least 40 years to be eligible for the full amount of the old age pension.

All three proposals were passed by Parliament on 26 August 2015. Especially, the low integration allowance has caused considerable debate about its effect on income distribution and economic poverty.

The integration allowance has affected a significant number of persons. Thus, according to the database of the Danish Agency for Labour Market and Recruitment, a total of 26 000 persons received the reduced integration allowance in November 2016. This amounts to 1 % of the workforce. Three out of four were participants in the integration programme.

In a reply from the Ministry of Finance to Parliament it has been estimated that the introduction of the integration allowance will increase the Gini-coefficient by 0.02 percentage points in 2016.<sup>14</sup>

Finally, based on a recent study on minimum budgets from the Research Unit of the Rockwool Foundation (Bonke & Rasmussen, 2016) the Economic Council of the Labour Movement has estimated that in a number of cases families living on social assistance and being affected by the cap on total cash benefits or the integration allowance will have a disposable income after housing expenditures that is significantly below the minimum budgets (Arbejderbevægelsens Erhvervsråd, 2016b).

### **The cap on total cash benefits**

The cap on cash benefits was passed through Parliament in March 2016 and was implemented from 1 October 2016. The basic idea behind this reform of the cash benefit system is to limit the total amount of cash benefits in the form of normal cash benefits (including educational allowance and integration allowance), housing benefits and special benefits that an individual can receive. The exact cap will depend on the kind of assistance that a citizen receives and on the family situation. If the total assistance is higher than the cap, the amounts for first special benefits and then housing benefits are reduced.

A special supplementary rule implies that the citizen can avoid the deduction in benefits if she/he has had at least 225 hours of ordinary unsubsidised work during the

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<sup>13</sup> Special rules apply for EU-citizens, who have lived in another Member States and get employment immediately after having entered Denmark.

<sup>14</sup> See 'Svar på Finansudvalgets spørgsmål nr. 95 (L 1) af 28. oktober 2015 stillet efter ønske fra Pelle Dragsted (EL)'.

last 12 months. The deduction can also be avoided, if the jobcentre finds that the person evidently is unable to enter into ordinary employment. According to a reply to Parliament from the Ministry of Employment, this exception is made for a significant part of the target group (60 %).<sup>15</sup> There is also considerable variation in this share across municipalities (from 20 % to 79 %), which has caused worries that the rule is administered somewhat arbitrarily.

The distributional effects of the cap on cash benefits are therefore difficult to assess due to the role played by the individual situation of the recipients. Also, while the aim of the measure is to increase the employment rate of the target group, the actual outcome with respect to employment is unknown at present. In the political agreement on the cap it was stated that the effect with respect to employment in the long run would be an increase of 700 full-time persons.<sup>16</sup>

According to the Danish Agency for Labour Market and Recruitment (STAR) a total of 32 700 persons were affected by the cap in November 2016.<sup>17</sup> Also, according to several media, the Ministry of Employment in late October 2016 estimated that there were around 43 500 children in the families affected by the cap. Non-Western immigrants, persons aged 30 years and above, long-term unemployed and women were overrepresented among the persons affected by the cap.<sup>18</sup>

In a reply to the Fiscal Committee of Parliament, the Ministry of Employment has finally estimated that the combined effect of the integration allowance (cf. above) and the cap on total cash benefits will cause an increase in the number of persons in economic poverty by 11 800 persons, whereof 7 000 will be children aged 2-17 years.<sup>19</sup> Around two-thirds will be immigrants or descendants from non-Western countries. The estimate does not include any positive effects from the increased incentive to enter into employment.

### **Reforms of the unemployment insurance system**

In recent years the Danish unemployment insurance system has been through a turbulent period. A political agreement from May 2010 shortened the benefit period from four to two years, while at the same time tightening the criteria for regaining the right to benefits, if they had been exhausted. The reform was to take effect from the summer of 2012, where it was expected that the labour market situation was back to normal after the economic crisis that started in 2008.

When this turned out not to be the case, a number of temporary arrangements were introduced that partly counteracted the effects of the reform on the outflow of persons from the benefit system. However, faced by increasing demand for a more comprehensive reform of the unemployment insurance system, the now former Government in June 2014 appointed a special commission composed of both independent experts and representatives from the social partners. In October 2015,

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<sup>15</sup> See 'Beskæftigelsesudvalget 2016-17. BEU Alm.del endeligt svar på spørgsmål 61'.

<sup>16</sup> See 'Aftale om et kontanthjælpssystem hvor det kan betale sig at arbejde – Jobreform fase I, November 18, 2015 ([www.star.dk](http://www.star.dk))'.

<sup>17</sup> See: STAR: Foreløbig opgørelse: Antal personer berørt af kontant-hjælpsloft i november måned ([www.star.dk](http://www.star.dk))

<sup>18</sup> See for instance: <http://www.denoffentlige.dk/kontanthjaelpsloft-foraeldre-til-43500-boern-faar-faerre-penge>

<sup>19</sup> See 'Beskæftigelsesministeriets svar til Finansudvalget (spørgsmål 30, stillet d. 3. November 2015)'.

after the general election, the committee presented its proposals (Dagpengekommisionen, 2015).<sup>20</sup>

The main elements in the proposals were to retain the two years duration for unemployment benefits as the general rule. However, it also introduced a possibility for extending the period by up to one year, if the recipient had spells of short term employment. Together with changes in the formula for calculating the benefit rate, this should form a stronger incentive for taking up short-term employment. The proposal also introduced a slight lowering of the unemployment benefit for graduates that were members of an unemployment insurance fund. Legislation following the main elements of the proposals went through Parliament in June 2016 and the reform will take effect from January 2017.

The benefits paid from the unemployment insurance system are higher than the cash benefits paid to non-insured unemployed, which are also means tested and depend on family situation. The difference will therefore be largest for single persons with economic assets or for unemployed that are cohabitant with an employed spouse.

No detailed assessment has been made of the expected effects of the reform on economic inequality. The commission itself estimated that the yearly outflow from the insurance system after the reform would be 6 700 persons compared to 9 000 persons without the reform (Dagpengekommisionen, 2015:89-90). These estimates are based on assumptions of a 'normal' labour market situation.

If the effects are realized, the reform will clearly lower economic inequality due to the differences in benefit levels between unemployment benefits and cash benefits for unemployed mentioned above. Also there will be beneficial indirect effects to the degree that the incentive to take more short-term employment increases income from work and possibly also the chance to get a more permanent foothold on the labour market.

## **4 Conclusions**

Although Denmark is still among the Member States with a relatively low level of inequality, there has since the mid-1990s been a gradual tendency for economic inequality to increase. Several reasons are behind this development. Some relate to increased wage dispersion and the business cycle including the role of capital gains and losses for economic inequality. The increasing number of students and immigrants also play a role. Others are directly related to policy changes like a number of reforms of the tax system and of social benefits, which have gradually made the tax system less progressive and have reduced benefit levels for some groups.

Also 2015 and 2016 have been marked by policy changes, which have a potential impact on both economic inequality and other forms of inequality like for instance in access to employment or education. Some of these reforms in active labour market policy, the integration programme for newly arrived immigrants and the VET-system are directly related to the Danish CSR from July 2014.

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<sup>20</sup> The Commission had also been asked to present proposals targeted at atypical workers like persons with temporary employment and own-account workers. Due to time constraints these issues were omitted from the final report. They are now the subject of a special task force in the Ministry of Employment.



Other reforms that were focused on unemployment and social benefits were not explicitly addressed in the three most recent CSRs for Denmark, but can be interpreted to influence employability in the broader sense of this concept.

Concerning effects on economic inequality, it is difficult to evaluate the first groups of reforms. The main point to be made is, however, that to the degree that they have a positive effect on the educational attainment and labour market attachment of the target groups, they will also in the longer run lead to reductions in economic inequality. The main obstacle here seems to be implementation problems for the activities that should support the positive outcomes on the target groups.

For the reforms of social benefits, the short-term effects on economic equality can be more readily quantified. There is no doubt that they are negative in the sense that the targets groups in the short run will experience lower incomes and increased risks of economic poverty. Given the large number of children affected there is also the risk of negative generational effects. Whether these negative effects will in the longer run be cancelled out by increased employment is questionable. An important factor here will of course be the general demand for labour and also the degree to which the target groups face other barriers to employment than just weak economic incentives (for instance health problems or lack of formal or informal competences).

Concerning the reform of unemployment benefits for the insured unemployed, a cautious conclusion is that it will lead to a lower level of economic inequality by reducing the outflow from the system and also improve the employment chances of the insured unemployed in the longer run.

Finally, looking at the larger picture of the effect of the reforms on the Danish version of flexicurity, the judgment must inevitably be mixed. On the one hand some of the reforms will, if successfully implemented, lead to an improvement in employment security by improving the educational level and labour market attachment of the target groups. As an indicator of the need for further improvement the Government in its latest programme has announced that it will take the initiative to a new round of tripartite negotiations focused on adult education and training (Regeringen 2016:36).

But on the other hand one must note the widespread concern that the changes in income security, at least for some groups, will have created weaker economic safety nets than before and therefore more economic inequality for both those adults that are immediately affected and for their children.

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## Annex 1: Summary of Reforms Impacting on Inequalities

No.	Short title of the reform	CSR-relevant (yes / no)	Policy area (e.g. labour taxation, consumption taxation, social protection, education, healthcare, etc.)	Short description of the reform	Direction of impact on inequality: increasing/ decreasing	The magnitude of impact on inequality: strong/ moderate/ limited	The reform has primarily impact on: - income inequality - inequality of opportunity	Target groups: are reforms targeted at some particular groups?	Time aspect: impact on inequality now / expected in the future
1	Reform of ALMP (2015)	Yes	Active labour market policy	Introduced stronger emphasis on firm-based training and ordinary education into ALMP	Decreasing	Moderate	Inequality of opportunity	Long-term unemployed, especially low-skilled unemployed	Could in the longer run significantly decrease both income inequality and inequality of opportunities
2	Reform of the integration programme for newly arrived immigrants and refugees (2016)	Yes	Active labour market policy	Introduced stronger emphasis on firm-based training in the integration programme. Introduced a new vocational education for refugees.	Decreasing	Moderate	Inequality of opportunity	Refugees having been granted asylum and therefore taking part in the integration programmes	Could in the longer run decrease both income inequality and inequality of opportunities for the target group
3	Reform of vocational education (2015)	Yes	Educational policy	Improves the quality of teaching, introduces stricter admission criteria and aims at increasing the number of apprenticeships	Decreasing	Moderate, but potentially strong	Inequality of opportunity	Students in vocational education	Could in the longer run significantly decrease both income inequality and inequality of opportunities
4	Introduction of the lower social	No (Yes)	Social protection	Lowered cash benefits and reduced	Increasing	Moderate	Income inequality	Newly arrived immigrants	The reform will immediately in-

	benefits for newly arrived immigrants (2015)			pension rights for newly arrived immigrants.					crease economic inequality. The effect on inequality in the long run will depend on the degree to which the reform leads to increased employment of the target group.
5	Introduction of a cap on total cash benefits (2016)	No (Yes)	Social protection	A maximum is put on the sum of cash benefits, special benefits and housing benefits that an individual can receive. Individuals working more than 225 hours per year will not be subject to the cap.	Increasing	Moderate	Income inequality	All recipients of cash benefits that are assessed by the jobcentre to be able to work.	The reform will immediately increase economic inequality. The effect on inequality in the long run will depend on the degree to which the reform leads to increased employment of the target group.
6	Reform of the unemployment insurance scheme (2017)	No (Yes)	Social protection	The rules for regaining the right to benefits are made more flexible. The benefit period can be extended from two to three years, if by temporary employment during the benefit period.	Decreasing	Limited, but potentially moderate	Income inequality	All (unemployed) members of the unemployment insurance funds	The reform will have a limited or moderate effect by lowering economic inequality. The effect on inequality in the long run will depend on the degree to which the reform leads to increased employment of the target group.

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